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FRONT COVER

Liberian Villager Tends A Caldron of Boiling Palm Nuts

Palm nuts, which are a rich source of oil, give Liberia some of its most important export products. (Photo courtesy of Lamar E. Fort.)

BACK COVER

Cotton: Exports and Foreign Production

The world cotton picture since World War II has been one of rising foreign production and exports and slowly shrinking United States sales abroad.

NEWS NOTE

Surplus Disposal Program Plans Announced

The Department of Agriculture has been assigned principal responsibility for administering Title I of Public Law 480, 83rd Congress, the Agricultural Trade Development and Assistance Act of 1954, sometimes termed the "surplus disposal program."

The program under Title I will be carried out under supervision of the Administrator of the Foreign Agricultural Service, utilizing to the maximum extent practicable existing facilities in the Department.

The Commodity Credit Corporation is authorized to use its funds and commodities in carrying out the purposes of the Act over a 3-year period. Title I, under which sales may be made for foreign currencies, provides for such transactions not to exceed $700,000,000.

The program will be carried out so as to avoid undue disruption of world market prices. Commodities sold under the program will be priced at the level at which such commodities may otherwise be bought from the United States by foreign importers for dollars.

Preliminary discussions are now underway with various foreign governments concerning the kinds and amounts of commodities buyers in their countries may desire to purchase. Any friendly country qualifying under the Act is eligible to apply. In such negotiations, certain assurances must be obtained from foreign governments, including that the commodity sale will not displace usual exports from the United States.

General policy will call for sales to be made through private channels of trade. A general regulation will be issued by the Department in the near future.

Credit for photos is given as follows: p. 177, Foreign Operations Administration (photo by Francis H. Whitaker); pp. 179-181, Lamar E. Fort; p. 187, James O. Howard.

FOREIGN AGRICULTURE ALICE FRAY NELSON, EDITOR

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Outlook for U.S. Cotton Exports

by JAMES O. HOWARD

Current estimates of United States cotton exports this crop year range from a little over 4 million bales up to 5 million: It appears that 4½ million is as good a guess as any at this time, considering that the crop year is still young, having begun on August 1.

This is good news in view of the low levels that United States exports have held in recent years. Two years ago they were only 3 million bales. Last year they were up about 25 percent, and this year it looks as though they might be 50 percent above shipments of 2 years ago.

Foreign sales in the range of 5 million to 5½ million bales are thought of as a fair annual target for the United States in view of the portion of our agricultural resources traditionally devoted to cotton and of the present size of the world market. However, exports have been below that during most of the years since the war.

Though influenced by world economic trends, international trade in cotton has had a special history of its own since World War II. It has been a history of rapid changes from surplus to shortage and back again, with the years of surplus outnumbering those of shortage.

The 9 years since the end of World War II break roughly into four periods that go far to explain the present situation.

Period I. Three years beginning in 1945 in which world demand for cotton exceeded production.

Western Europe and the Far East, having been cut off from cotton supplies during World War II, emerged from the war with a great need for textiles. As the textile industries of those countries were put back into operation, the demand for cotton grew; this caused an increase in prices and therefore of production throughout the world. Every year since then, total production outside the United States has increased, though there have been fluctuations in individual countries.

During the first 3 postwar years, exports from foreign countries rose steadily, but our exports remained low, varying from 2 million to 3.6 million bales.

The tremendous effort of foreign countries to conserve dollars during these years militated—even more strongly than it has since—against United States cotton. The effects of this effort were offset to a limited extent by special United States aid programs.

Period II. Two years of world surplus accumulation beginning in the 1948-49 season and lasting until the outbreak of the Korean War in June 1950.

World production caught up with demand during the 1948-49 marketing year, when the two were roughly in balance. Then, there followed the first period of accumulating surpluses, most of which took place in the United States. Actually stocks had begun to accumulate in the United States a year earlier, but had been more than offset by continued stock reduction in other countries. By 1950, United States surpluses had risen to the point where acreage allotments and marketing quotas were required under the law.

Period III. One year of shortage, the 1950-51 season.

In June 1950, before the United States had harvested its reduced crop, the Korean conflict began. It caused an immediate upsurge of buying by mills in importing countries. This demand, coupled with low yields on our reduced acreage, threatened a world shortage of cotton. Suddenly, United States cotton was in tremendous demand, and the Government felt it necessary to put on price controls and begin allocating exports so as to fairly divide the available supply. The basic United States cotton price was held at 45 cents a pound.

Cotton prices in other countries rose sharply, reaching in some cases a dollar or more per pound. Governments in a number of these countries instituted export taxes or raised existing ones to offset the inflationary effects of the high prices. A number of countries still have these export taxes, though at a reduced level. They could be reduced still further if it became necessary to meet international competition.

Mr. Howard is Assistant to the Director of the Cotton Division, FAS.

Period IV. Three years of accumulating surpluses, 1951-52 through last year.

The high prices during the early part of the Korean War gave added stimulation to cotton production abroad. To further encourage production, several foreign countries introduced high price supports in 1951.

As a result of these price supports and the high export taxes in competing areas, coupled with low stocks in importing countries, the United States in the 1951-52 season exported 5.5 million bales, thus having its next-to-the-best season since the end of the war. That season, total surpluses in foreign producing countries increased—one of the few times that they had since World War II. Brazil, in particular, built up big stocks as a result of its high price supports.

The 2 years between 1951-52 and the beginning of the present season have been characterized by foreign-producer-nations' working off these stocks. To do this, most of them dropped their prices sufficiently below the United States price (which could not go below the price-support level) to undersell the United States in most cases. The first year Brazil was an exception; it held out for high prices and didn't sell much. Last season it lowered its price and liquidated its surplus. This disposition of the Brazilian surplus and the marketing of the current crop in Brazil and other foreign countries were completed about the last of January of this year. As soon as these countries had sold most of their cotton, world prices rose to the extent that United States cotton was again competitive. During the last half of the past season, United States exports did well and, at the end of the crop year on July 31, totaled 3.8 million bales—about one-fourth more than those of the previous year.

The history of cotton in these 9 postwar years seems to show certain general trends. First, attractive world cotton prices have brought forth increasing cotton production outside the United States. Second, when foreign producers have had trouble exporting their cotton, they have dropped their prices below the supported United States prices and expanded their markets at United States expense until their crops were sold. During these periods the United States has got only what was left of the world market. Third, because prices elsewhere have tended to be below those in the United States, most of the world's surplus has accumulated in this country. Twice since the war the United States has found it necessary to curtail production in order to work off these surplus stocks —once in 1950 and again this year. While the United States has done this to ameliorate the world surplus cotton problem, most other producing nations have continued to increase their production. Finally, since foreign cotton production has increased faster than world consumption, the size of the market left to the United States has tended to decrease gradually.

Current Situation

Against that background the export outlook for United States cotton this year shows measurable improvement: Exports roughly 25 percent higher than those of last year and about 50 percent higher than those of the year before last.

The primary reason for this is that competing countries have less cotton to sell this year. Last year they completed a 2-year liquidation of the surplus that they built up following the invasion of southern Korea. This year they have only their current production to sell. Though they have stepped up production again this year—by at least a million bales, according to preliminary indications—the increase is more than offset by the absence of any surplus at the beginning of the year. Competing countries should therefore sell out earlier in the year, and the United States should have a longer inning.

A second reason why we may expect higher United States cotton exports this year is that textile mills in importing countries now have greater confidence in the stability of cotton prices and hence may increase their stocks.

During the last 2 years, mill managers abroad, seeing the large stocks accumulating in the United States, have thought that the United States might subsidize exports in order to increase foreign sales. Such a subsidy would have meant a reduction in the value of any inventories they held. Hence, they have kept stocks at the absolute minimum needed for current operations, with the result that stocks in importing countries are now the lowest in 8 years. The action that the United States took this year to reduce production, buttressed by Secretary of Agriculture Benson's announcement that there would be no subsidy on United States cotton exports this crop year, has resulted in the recent increased confidence in the stability of cotton prices on the part of foreign buyers.

Ginned cotton in soft bales is delivered to a spinning and weaving mill at Adana, Turkey. In Turkey and in several other countries outside the United States, cotton production has grown tremendously since World War II.

The production controls instituted this year by the United States as a result of our large stock accumulation have made a 21-percent reduction in our planted acreage. The September 1 crop report indicated a crop that was 4.6 million bales (40 percent) less than that of last year. Though this reduction is being somewhat offset by the increases in foreign production, it will still bring the world total down to the point where production and consumption will once again be roughly in balance. It appears that under existing law the United States will be required to reduce acreage further next year. Should this happen an actual reduction in the world surplus will probably result.

Those are the major reasons for expecting United States exports to go up this year. However, there are other considerations that deserve mentioning.

Within the past year England and Germany, two of our best customers, have virtually removed all controls on the importation of cotton. Now, any mill in those countries can make dollar purchases without restrictions. This action improves the prospects for United States sales in those markets provided our prices are competitive. A similar situation exists in Belgium, the Netherlands, and Switzerland. Other Western European countries might somewhat relax their dollar controls on cotton imports during the next year or two if their exports to the United States hold up and their dollar assets continue to increase.

Finally, it is anticipated that cotton sales to countries that still have serious dollar shortages will be aided by the New Agricultural Trade Development and Assistance Act of 1954, which permits the United States, under certain conditions, to sell surplus agricultural products abroad during the next 3 years in exchange for the currency of the foreign buyer. This program should result in some increase in United States cotton exports this season.

This brighter side of our cotton export picture is offset somewhat by certain unfavorable factors.

The increase in cotton production abroad has already been mentioned.

Consumption of cotton in foreign countries of the free world last year hit an all-time high, a record that will be difficult to maintain during the current year. Textile stocks have begun to build up in Europe, and textile buying isn't quite as active as it was some months ago. With the cessation of hostilities in Korea and our reduced purchase from the Japanese, Japan, which is our biggest customer, is encountering balance-of-payment pressures. If any decrease in consumption does take place abroad, it is not expected to be great and is likely to be about offset by the expected increase in mill stocks of cotton.

Finally, there is the continuous threat from synthetic fibers, the production of which has increased tremendously within the past two decades. Though rayon, cotton's chief synthetic competitor, has had some bad times in recent years, rayon plant capacity in the free world is still being expanded and by December 1954 is expected to be about 8 percent larger than it was a year earlier. This increase is the equivalent of about 800,000 bales of cotton annually.

These, then, are some of the factors determining the prospects for our cotton exports in the current year.

As we look beyond the current year, the prospects are more difficult to forecast. Aside from world

economic conditions the biggest factor in the short run is foreign cotton production. As noted above, the United States is attempting to remove the world cotton surplus by reducing its own production. If other producing countries, however, plant an extra acre for every acre the United States takes out of production, the effort of the United States will be wasted. This situation was pointed out by John H. Davis, then United States Assistant Secretary of Agriculture, speaking before a meeting of the International Cotton Advisory Committee in São Paulo, Brazil, in June of this year. If increased plantings by other countries negated the United States reductions, Mr. Davis said, the United States would find it necessary to reconsider its policy. Though such foreign increases are not likely to completely offset United States reductions, they will cut their effectiveness. Much depends on what other producing countries do in the next few years.

In the long run, the competition from synthetic fibers may be more important than the increasing foreign cotton production. Though the rise in production of these fibers has been slowed recently, synthetics are still taking a lot of markets that cotton would otherwise fill. Many foreign countries that don't raise their own cotton tend to encourage domestic synthetic production as a means of conserving foreign exchange.

Market research and sales promotion by the United States cotton industry have been quite effective in increasing cotton consumption in this country within the past decade. Small-scale programs along this line are being launched in several European countries by the local cotton industries. These programs have the active support of the United States cotton industry and Government. Programs in England, France, and Western Germany are already under way and it is expected that they will be expanded and others launched within the year. There is also opportunity for such programs in other parts of the world.

In summary, foreign surpluses have disappeared, and the prospect for United States cotton exports during the next 2 or 3 years are considerably brighter than they have been during the past 2 years. Thanks to the United States program of acreage reduction, world production and consumption again are moving toward a balanced position. Whether, and how soon, this will enable the United States to work off its accumulated surplus, however, remains to be seen.

Liberia—A Rapidly Growing Neighbor

By W. GARTH THORBURN

The President of Liberia, William V. S. Tubman, is coming to the United States this month at the invitation of President Eisenhower. His visit will no doubt center much attention on his country.

Liberia is the oldest independent state in West Africa and the one whose face and ways are changing the most rapidly. It opened to commerce an artificial harbor and free port 6 years ago. It has doubled its miles of roads in the past few years. It has made improvements in such other public services and facilities as communications, education, and public health. Its inland swamps are becoming rice paddies. Its plantings of rubber, coffee, cocoa, oil palm, and citrus are multiplying. And its shifting agriculture is giving way to permanent agriculture.

The establishment of a permanent agriculture is certainly of great significance, for it is opening the way for educational and health facilities and public services to reach the rural people, who make up most of the population. It is opening the way, too, for a sound diversified economy in Liberia.

Shifting agriculture is common among primitive peoples. In that kind of agriculture, farmers clear a plot of land, burn the cuttings, plant the land to food crops, and abandon it when it no longer produces well. Then they clear, burn, and plant another plot. Thus they move from place to place all their lives.

Further changes in Liberia are promised in the 9-year program recently laid out by the Government, which emphasizes the development of the country's natural resources and the provision of additional public services. To assist it in this large undertaking, the Government of Liberia has enlisted the good offices of the United Nations and of the United States Government. And it has attracted into the country considerable foreign investment capital, now represented in eight major concessions, six of which are agricultural. They

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are distributed over the country so that they might give employment to, and otherwise benefit, as many people as possible.

The Government of Liberia is also making land available to its own people in units of 50 to 400 acres for private development. Along both sides of the principal highway for a stretch of something over 200 miles, the land has been purchased by Liberians and is being planted to rubber, coffee, cocoa, oil palm, and citrus, so that, as one drives up this road to Sanniquella, he sees an almost unbroken forest of tree crops on both sides. Along with this major transformation to a settled agriculture, there are evidences along the highway of another development: The moving of rice production from the hills to the swamplands. Rice is now being grown as a permanent crop on settled acreages of paddy lands.

In attracting the capital needed to develop its resources and to improve living conditions for the whole population, Liberia has had the aid of the cooperative technical assistance program. At the invitation of Liberia, the United States Government has furnished such assistance for some time. During the latter part of 1946 the United States Department of State instituted an Economic Mission to Liberia, which in 1950 was merged with the Technical Cooperation Administration and, in 1953, with the Foreign Operations Administration.


The farmer's market in Monrovia. Technical assistance together with a more settled agriculture have in recent years resulted in a larger, steadier flow of farm products to the city.

Frank Pinder, agricultural advisor to Liberia under that program, and some 15 other American agricultural technicians have been working to improve the staple food crops, rice and cassava, and have been stressing the production of tree crops —rubber, coffee, cocoa, oil palm, and citrus—as well as vegetables. In recent years all common vegetables have been introduced, but cabbage and other cole crops and okra have been the most suitable by far. Some other vegetables—tomatoes and eggplant, for example—are highly susceptible to disease and seldom yield well. But the Government experiment stations and substations are working to develop disease-resistant, high-yielding varieties.

Also playing an important part in Liberia's economy are the eight major concession holders. The newest concession is that of the B. F. Goodrich Co., which was signed in the early part of July 1954.

The oldest and largest concession holder in Liberia is the Firestone Plantations Company, which has large plantings of rubber trees. In 1952 the company exported more than 29,000 tons of rubber. Liberia's rubber trees are considered among the highest producers in the world. Still, the Firestone experiment station is working to develop improved clones that will give even higher yields. Liberia is one of our few neighbors that produce natural rubber in any quantity; during World War II, when the rubber of the Far East was under Japanese domination, Liberia was one of a handful of sources to which the Allies could look for natural rubber.

Next in importance, though not agricultural, is the Liberia Mining Company, which started operation in 1951 under an 80-year lease with the Liberian Government. At first the company was hampered by transportation problems, but now it has built a 45-mile railroad, which leads from its Bomi Hills iron mines to the capital and the free port of Monrovia, and a high rate of production has been reached. Liberia exports the purest iron ore that is being mined in the world today.

A third concession holder is the Liberia Com-

TABLE 1.—*Liberia's exports, by quantity and value, 1952*[1]

Commodity	Unit	Quantity	Value (dollars)
Rubber	Long tons	29,416	31,649,564
Palm kernels	do	12,069	1,277,206
Palm oil	do	1,944	207,882
Piassava	do	916	76,715
Cacao	do	530	221,186
Kola nuts	do	15	2,960
Skins	do	....	1,780
Coffee	do	205	111,468
Iron ore	do	64,859	3,071,186
Raw gold	Ounces	946	30,199
Live animals	Number	177	2,960
Total		....	36,653,106

Source: Division of Statistics, Department of Agriculture and Commerce, Liberia, 1953.

[1] Principally from two of the eight concession holders. The newer ones have not yet realized production and hence are not reflected in this tabulation.

pany, organized in 1947, as a result of an agreement between the Liberian Government and a group of United States businessmen. The company is interested in a number of development plans, but its chief project at present is the production of cacao. About 2,000 acres of its 25,000-acre concession are now being planted to that crop. Trees are planted on an average of 400 to the acre, and yield per acre is expected to be about 700 pounds of dry beans. The company plans to establish processing and buying stations in areas surrounding its concession. When it does so, the small independent Liberian producer will have a steady market and a price incentive for marketing cacao beans of good quality.

The Liberian Government has granted a large concession to the Society for the Utilization of Vegetal Raw Materials. The society, a German organization, is authorized to construct palm oil mills in Liberia, exploit existing natural stands of palms, develop palm oil plantations, and establish a commercial palm-oil-kernel buying, grading, and marketing organization. When it received its concession on December 21, 1953, the society was given 18 months to begin effective operation. If it fails, the rights granted under the agreement lapse.

Another German company that has a concession in Liberia is the African Fruit Company of Hamburg. On July 12, 1952, it was granted an 80-year concession principally to grow bananas and other tropical products on a 600,000-acre area in Sinoe County, southern Liberia. But it also has mineral and timber rights to the land. Already, 350 acres have been cleared and a nursery has been devel-

Liberian farm girl tends her garden. Fresh vegetables are supplementing the traditional rice and cassava diet of more and more Liberians.

oped. Shipments of bananas are expected to begin in 1956 or 1957. The success of this company depends greatly on the construction of a harbor in the vicinity of its operations; this harbor may be a joint Liberian-Detweiler-African Fruit Company project.

The Detweiler concession for mining iron ore in the Mount Jeddah area promises to be of importance in expanding mining in Liberia. The extent and character of these deposits are now under investigation. A representative of the United States Steel Corporation recently reviewed some of the mineral development possibilities in Liberia as have the Swedish and British interests.

In January 1952 a Texan, R. G. LeTourneau, signed an agreement with the Liberian Government under which he was empowered to form a

company whose interests include the development of a large tract of timberland that borders on an area said to have iron ore. Mr. LeTourneau manufactures heavy-duty earth-moving equipment and for some time has wanted to use it in developing a backward region of the world. He plans that his project will be a missionary as well as a business venture.

Revenues from these companies are expected to go a long way toward making the necessary improvements in Liberia.

The export crops grown by the concession holders, and to some extent by the small farmers, provide about 87 percent of Liberia's foreign exchange earnings. The value of these exports has more than doubled since before the war; in 1939, it was $15 million and in 1952, more than $36 million.

There is every reason to believe that forestry also can play an important part in the future economy of the nation. Now that the Government is undertaking rural improvements and the building of roads into the hinterland, forestry has a chance for development. No accurate figures on land use are available, but it is estimated that 80 percent of the land is in some type of trees. To insure the preservation of the forests, a conservation act was approved April 17, 1953. The act empowers the Government to establish forest reserves in various parts of the country. It further provides for the establishment of a Bureau of Forest Conservation in the Department of Agriculture and Commerce to administer the act.

Another step forward taken by the Government last year was the completion and dedication of the Tubman Research Laboratory at the Central Experiment Station, Suakoko, on October 18. Here, agricultural scientists are carrying out research work on tree crops, vegetables, rice, cassava, and livestock. In addition to the Central Station the Government has established some 10 substations.

There are many other evidences of Liberia's development. There is the free port of Monrovia and the William V. S. Tubman Bridge over the St. Paul River, both of which were built under the supervision of the United States Navy with lend-lease funds, which are being repaid by Liberia. Recently brought into service is a pure public water supply and sanitary system and a modern telephone system for the capital city of Monrovia.

Expanded public health services and malaria control measures also bespeak progress. Recently Liberia completed an aerial survey covering about three-fourths of the country. This survey, accompanied by an aerial magnetometer survey of limited scope, has been of great value in attracting private enterprise as well as providing base data for a variety of developmental appraisals. These data help place Liberia in a most favorable competitive position in relation to other tropical countries.

These changes that are affecting the everyday lives of so many Liberians have come about most rapidly during the past decade under the leadership of William V. S. Tubman, who has been a moving force in his country's progress.

The free port of Monrovia, which has brought the shipping lanes of the world to Liberia's very door, has contributed greatly to the country's development.

Current and Prospective Agricultural Trade Situation*

By GUSTAVE BURMEISTER

Neither in the short run nor in the long run can we expect the foreign markets to absorb all our surpluses. The domestic market offers, on the whole, a much bigger outlet for the products of our farms. With our increasing population and our rising living standards, this market will continue to increase. If at the same time we succeed in expanding our agricultural exports, we should, within a period of some years, be able to work out of the present surplus problem.

The present and prospective foreign trade situation with respect to farm products has recently been appraised by agricultural trade missions, which visited 35 countries. They have concluded that the United States, over a period of time, can increase its agricultural exports materially, if certain obstacles are overcome, even though immediate prospects of great increases are not good.[1] I believe this is a correct appraisal of the situation confronting us.

In discussing these prospects, I would like first to relate our foreign agricultural trade to production and marketing in the United States.

United States agricultural output has increased 40 percent during the past 15 years. This increase has taken place in response to the rise in population and living standards in this country and in response to large emergency demands abroad that resulted from World War II and its aftermath. At present, the productive capacity of American agriculture is in excess of current market demands at home and our shrunken export outlets. Large surpluses have, therefore, accumulated in Government hands.

Let me give you a few details: Agricultural exports, which had reached a peak of $4.1 billion in 1951-52, dropped 30 percent in the course of a year, and, during 1953-54, remained at the reduced level of $2.8 billion. Most of the drop has occurred in our major cash export crops—wheat, cotton, tobacco, grain sorghums, and soybeans. This has meant less of the market for one-third of the output of an estimated 52 million acres devoted to raising export crops in 1951.

Foreign as well as domestic markets must be expanded if, in the future, we are to find adequate outlets for our present agricultural production.

Significance of Domestic and Foreign Markets

In seeking larger outlets, we must, however, bear in mind the relative magnitudes of the domestic and the foreign market for American farmers and the trend in demand for farm products here and abroad.

From the point of view of the relative importance of the domestic and the foreign market, our agricultural products fall into four groups.

1. **Products with respect to which we are about self-sufficient and both imports and exports normally amount to less than 5 percent of the cash farm receipts.** This group accounts for as much as two-thirds of the cash income of our farmers. It includes most livestock and livestock products, vegetables and greenhouse products, cottonseed, peanuts, hay and fodder, deciduous fruits, and berries.

2. **Products of which we are substantial net exporters.**—For some of them, such as cotton and linters, wheat (including flour), tobacco, rice, lard, and tallow, exports normally account for one-fourth or more of total sales. Other important export products are soybeans, corn, grain sorghums, hops, and a variety of fresh and processed fruits. Altogether the products in this group account for about 30 percent of the cash income of our farmers.

3. **Products of which we are large net importers as well as important producers.**—This group accounts for about 3 percent of cash farm income. Imports for a number of items in this group are in excess of domestic production. This is the case with respect to the two largest items—sugar and wool. Other items in this group are olives and olive oil, field and grass seeds, tree nuts (of domestic types), figs and dates, and more recently tung nuts.

4. **Products not commercially produced by American farmers.**—Some of these are substitutable for domestic products, as, for example, tropical oilseeds and oils expressed therefrom, certain waxes, and foreign-type nuts such as Brazil nuts and cashews. Most of the products in this group are not, however, directly competitive with products of American farms. Among the latter are coffee, rubber, cacao and tea, certain hard fibers, carpet wool, raw silk, bananas, and a variety of spices, drugs and herbs, and essential and distilled oils.[2]

Mr. Burmeister is Assistant Administrator, Market Development, FAS.

* Based on address given at annual meeting of American Farm Economics Association late in August at State College, Pa. Full text will appear in Proceedings number of the Association's Journal.

[1] *Report of Agricultural Trade Missions to the Secretary of Agriculture on Foreign Trade of the United States in Agricultural Products.* Washington, June 1954.

Agricultural Imports Exceed Farm Exports

If we add up these four groups, we find that we import substantially more agricultural products than we export. In the last calendar year, for example, we exported $2.8 billion worth of farm products but imported $4.2 billion worth. More than half of these imports (or $2.4 billion) consisted of products that are not directly competitive with United States farm products. Of the remainder, one-half belongs to the category of products for which imports are substantially in excess of exports. About $200 million worth consists of products directly interchangeable with domestic farm products. About $200 million of our agricultural imports consisted of products of which exports have been substantially larger than imports. The rest (about $450 million in the last calendar year) belongs in the category where both imports and exports are relatively unimportant.

The fact that the United States is a substantial net importer of agricultural products deserves consideration in the international discussions of trade and payments problems. Insofar as agricultural trade is concerned, the so-called dollar gap had been closed prior to Korea, and the rest of the world has been a net dollar-earner in this sector ever since—just as it was before World War II.

The New Buyers' Market

During the war and early postwar years, the volume and value of our agricultural exports were high above the prewar level. This was due to the emergency needs in foreign importing countries, to United States aid that enabled foreign countries to import more than they exported, to the inadequacy of supplies in other producing countries, and to the fact that we—as distinct from many other countries—allowed the price mechanism to stimulate agricultural production here, so as to bring forth sufficient supplies of grains, cotton, tobacco, fats and oils, and other products for the countries in need.

Gradually, however, other countries—exporting as well as importing—have expanded their production. Supplies in the world have become more plentiful, and the foreign markets of many products have become buyers' markets.

Last year's agricultural production in the world as a whole was estimated at 15 percent above prewar. Not only did excellent weather help former exporters recover their production but it aided former importing countries' efforts to develop indigenous supplies of United States-type commodities either for domestic use or export. At the same time, importing countries that had built up reserves of feed and raw materials after the Korean invasion reduced their inventories in 1952-53 and 1953-54.

Aggressive Selling by Foreign Competitors

Confronted with this situation, many of the other agricultural exporting countries employed aggressive sales methods. In part they did this because they lacked facilities and financial strength to hold large stocks over prolonged periods. Quite a number of these countries have developed monopoly export organizations. Among these are practically all of our competitors in the world grain markets: Canada, Australia, Argentina, Turkey, and, of course, the Soviet bloc. Several of the exporting countries employ multiple-currency practices. Examples are Argentina, Brazil, Egypt, Turkey and Spain. Often, these multiple-currency practices have, in effect, involved export subsidization of agricultural products. Other forms of direct or indirect export subsidies also have been widely used. Our agricultural trade missions noted that a number of agricultural exporting countries support prices at higher levels than the United States does but "subsidize export sales to such an extent that their offering prices to importing countries are less than those of United States exporters who receive no subsidy or a smaller subsidy."

Under these conditions, United States price supports have operated as an umbrella over other exporting countries. (For an example, see the article on cotton in this issue.)

Improved Dollar Position Of Our Foreign Buyers

The impact of the change in the competitive position of United States farm products has been offset to only a minor extent by the benefits obtained as a result of the improved balance-of-payments position of foreign countries.

This improvement has been substantial. On January 1, 1954, the gold and dollar reserves of the free world totaled $23 billion. Thus, they were 50 percent higher than on January 1, 1950. Foreign countries have been able to increase these reserves because of such factors as a much better balancing between United States imports and exports of goods and services, substantial United States foreign investments and gifts on private account, and a continued high level of United States Government spending abroad.

The change in United States Government expenditures abroad, from the disbursement of aid to large purchases of foreign goods and services, coincided with the improvement in the foreign supply position to which I have referred. This coincidence has increased the tendency of some foreign countries that still rely extensively on exchange and import controls to shift from United States to non-United States sources of agricultural products. Foreign purchases of nonagricultural products declined less because many manufactures cannot be obtained abroad at equal prices in equal quality.

Most of the exchange and trade controls that

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[2] For a more detailed discussion of these four groups, see "Agricultural Products in United States Foreign Trade," *Foreign Agriculture*, March 1954.

foreign countries are maintaining are usually justified on balance-of-payments grounds. With the improvement of the financial position of the respective countries, they have, however, been forced to admit that many of these controls serve to assist domestic producers in competition with foreign producers.

Import Restrictions Continue

Countries that are deficit producers of a commodity are giving this assistance to their producers by continuing the restrictions on imports. As a matter of fact, the principal European countries that recently have liberalized imports—the United Kingdom, Germany, Belgium, and the Netherlands—have, in general, excluded from such liberalization those agricultural products that are competitive with their own agricultural products.

Exchange and import controls are being used also to assure for domestic producers preferential markets abroad. This use of controls is linked to bilateral and regional trade and payments arrangements.

Originally, the partners in bilateral trade and payments agreements undertook primarily to facilitate imports. More recently, however, the emphasis has shifted toward using the bilateral agreements to push exports. By curtailing imports from the United States, these countries make room for more imports from their bilateral partners, and, in return, are assured of preferential markets for some of their own products. Usually, this is done in disregard of prices and other competitive factors.

Regional trade and payments arrangements such as those of the sterling area and the European Payments Union, have, from the beginning, aimed at reciprocally securing more liberal treatment for the area's products by the member countries.

To a varying extent, all of our agricultural export commodities find their competitive position abroad impaired by such practices.

Confronted with aggressive competition from other exporting countries and with restrictive, or even discriminatory, policies of many importing countries, what is the outlook for our agricultural exports?

Economic Development and Agricultural Trade

In appraising this outlook, we must bear in mind that agricultural production will probably continue to increase, not only in this country but also in many foreign countries. For the world as a whole, it has been estimated that the rate of increase may be about 1½ times the rate of the population growth.

It is sometimes suggested that, because of the large needs abroad, there should be an indefinite continuation of give-away programs by the United States. I strongly disagree with this. And I believe that we would give a doubtful kind of help to other countries if we engaged in continuous give-away operations. Let us not forget that in other countries, as well as in the United States, producers depend on the sale of their products for a living. Continued give-away programs of the United States cannot but disturb their markets as well as ours.

Present surpluses, as well as increases in the world's agricultural output, could be absorbed, however, if a balanced growth of the economies of the various countries, especially the economies of underdeveloped countries, provides more income to buy more things people need. Pushing agricultural output irrespective of the market situation will not bring lasting improvement. Economic development must, first of all, aim at the development of markets. This means that development of transportation, communication, industrialization, and urbanization must go hand in hand with—and to some extent must even precede—the expansion of agricultural production in the underdeveloped countries.[3]

Fortunately, more attention begins to be given to this need for balanced growth and for gearing it to an increase in consumer purchasing power and to market development.

U.S. and Foreign Import Controls

From the viewpoint of the United States, and especially from that of American agriculture, it will also be important what the future policies of foreign countries will be with respect to trade and exchange controls.

Foreign countries, as well as the United States, have developed agricultural programs that, in some circumstances, need to be defended by import restrictions. However, the much-talked-about United States agricultural import quotas have had only a very minor effect on the sale of foreign agricultural products in this country.

In 1938-39 the imports of all products now subject to quotas,[4] excluding sugar (which is a special case), amounted to 3.2 percent of all agricultural imports that are directly competitive with United States farm products; in 1948-49—before quotas were imposed on certain types of cheeses—these imports amounted to 5.7 percent; and in 1952-53 they amounted to 6.9 percent.

We have limited recourse to controls to those cases where imports definitely threatened to injure seriously our agricultural programs, and we are allowing foreign producers to maintain a reasonable share of our market. Moreover, except for Cuba and

[3] A more detailed analysis of this subject is contained in a paper by E. De Vries and O. Zaglits, "Capital Investment and Its Effect on Agricultural Production and the Demand for Agricultural Products," presented at the World Population Conference, Rome, Italy, September 1954.

[4] For a few commodities two-level tariffs or fees are in effect. A lower rate applies to imports up to a certain quantity, and a higher rate for imports above that quantity. These quantities are sometimes called tariff or fee quotas. However, there are no quantitative limitations on imports of such commodities into the United States.

TABLE 1.—*Value of United States agricultural exports and imports, 1950-53*

[In million of dollars]

Year ending December 31	Exports	Imports for consumption
1950	2,873	3,990
1951	4,040	5,166
1952[1]	3,431	4,518
1953[1]	2,844	4,182

[1] Preliminary.

the Philippines, with whom we have historically had preferential tariff arrangements, we have allowed all the countries of the free world equal access to our market.

However, many of the controls imposed by foreign countries against United States products are sharply restrictive and discriminatory, and, in the case of a number of commodities, often amount to a virtual embargo. While controls have recently been eased on imports of United States cotton, grains, tobacco, and certain other products in countries such as the United Kingdom, Germany, Belgium, and the Netherlands, the impact of import controls on our farm products in some other countries has recently become more severe.

Equity in Import Controls

On the basis of our own behavior, equity would entitle us to expect countries with an improved exchange position—especially those of Western Europe—to liberalize substantially their trade and exchange controls. On the basis of equity we could make the following claims regarding quantitative restrictions on imports (there are of course other problems regarding the foreign trade restrictions that impede our exports):

1. No country should maintain import restrictions for selected commodities, except where necessary to protect their own agricultural programs or their own producers of the same, or a directly competitive, commodity from serious injury. (This would, among other things, mean removing the restrictions on products which the country itself does not produce and removing restrictions during the part of the year in which the domestic product normally is not marketed.)

2. Where a country continues import restrictions, it should not restrict imports below a reasonable share of its market. (This would mean that the embargoes maintained at present against certain United States products would have to be replaced by quotas which should be reasonable in view of our historic position in the market of that country.)

3. Where a country continues to restrict imports by quantitative controls, it should allow all exporting countries equal access to its markets within the set overall quantitative limit. This would mean that the widespread discrimination against the United States in the administration of import controls would have to come to an end.

Need for Currency Convertibility

As a parallel to more equitable policies with respect to import controls, convertibility of currencies should progressively be restored. This would help not only in the restoration of normal competitive conditions in the world, it would also enable the countries that now have inconvertible currencies to buy food and raw materials from the cheapest sources and to sell at competitive terms wherever they find a market.

Summing up what I have said about our agricultural export prospects, I would like to say that, in view of the large unfilled needs abroad, an expansion of these exports will become possible if:

(1) The development policies of the various countries, as well as our own assistance programs, are effectively geared to the promotion of balanced growth, to increasing consumer purchasing power, and to letting production develop in accordance with market demands; and

(2) excessive and discriminatory use of trade and exchange controls is curbed and convertibility is gradually restored.

A Long-Term Program for Market Development

Even if, by such means, a more favorable climate is being created for the sale of our products abroad, we will not gain bigger markets just by sitting and waiting. We will have to strive hard to develop those markets.

The Secretary of Agriculture has therefore decided to establish the Foreign Agricultural Service on a broad basis. Within this Service, a market development group has been set up.

Our most important task is the development of a *long-range program* for the expansion of our foreign agricultural markets.

In doing this, it will be essential to make maximum use of private trading facilities. This is essential, not only because private traders in competition with each other will do the job more effectively than government agencies, but also because the market gains secured through private trade will be more lasting.

Another essential feature of such a program must be competitive pricing. With world supplies ample and with the exchange position of many importing countries greatly improved, we cannot expect to maintain and expand export markets unless we offer our products at competitive prices and at competitive terms. In some cases, producers will be able to do this on their own. In others, present competitive conditions in international trade and the type of support program will require government export payments, if we wish to maintain a fair share of the world market for our farm products. Such pay-

ments will be necessary especially where other countries use monopoly trading, multiple-exchange rates, or other artificial devices to enhance their export trade.

Third, since governmental assistance by means of export credit or export credit insurance has become nearly a universal institution, we will have to supplement our private export financing by similar means. The Export-Import Bank has, in recent years, given valuable assistance in the exportation of some of our agricultural staples. We hope that, after its recent reorganization, it will further extend this assistance in close cooperation with the private banks.

Fourth, cooperative efforts of private groups and the Government should be directed toward intensive study of foreign markets and of consumer preferences, not only for the raw products we export but also with respect to the products made therefrom.

Fifth, similar cooperative efforts should be directed toward the buyers and users of our farm products to expand their sales with the help of such promotional methods as are used in this country.

Sixth, as suggested by the agricultural trade missions, there is need for effective centralization of governmental responsibility and authority regarding the cooperation with and assistance to private traders in their efforts to sell abroad the products of American farms.

Time will, of course, be required to carry out such a long-range program and to reap the full benefits therefrom.

Short-Run Surplus Disposal Measures

In the meantime, special efforts are needed to reduce the pressure of surpluses on the market and to offset the trading advantages that other exporting countries have derived from offering their products for soft currencies. The Congress has recognized this. Last year, it authorized a 1-year program for the sale of agricultural surpluses against foreign currencies. Surplus export programs totaling $245 million are being financed under that authority. This year, in Public Law 480,[5] it has provided a new and broader basis for such a program.

Steps have already been taken to make effective use of the new authority. It is, of course, too early at this time to give details, but every effort will be made to use the new authority to stimulate and expand foreign trade in our agricultural products in accordance with the congressional intent, and, starting therefrom, to evolve a long-range trade development program along the lines outlined in the foregoing.

[5] For a brief review of the law, see "Agricultural Trade Development and Assistance Act of 1954," *Foreign Agriculture*, September 1954.

Making The Most Of Little*

In the northeastern corner of Portugal, in the Provinces of Minho and Douro Litoral, is the most intensively farmed area in all the country. There the people have a tradition of good farming—of making the most out of every foot of land and every gallon of water—that exceeds the best of the rest of Portugal, with the possible exception of the Algarve.

Together, the two Provinces contain less than 10 percent of the country's land area, yet they produce a livelihood for 25 percent of the farm population. The only advantage that the region has over the rest of the country is rainfall: 50 to 60 inches instead of the 20 to 30 inches in the country as a whole. But most of the rains come in winter, the time of least agricultural importance.

The Provinces lie one above the other along the Atlantic Coast. They cover a plateau that slopes gradually downward, from a narrow mountain zone in the east, through a broad stretch of hills, to the narrow coastal plain. The basic terrain is one of fairly steep hills, yet to their very tops all but the steepest of them are cleared and tilled.

In the lower country both hill and valley are planted into garden-sized plots, separated one from another by innumerable rows of grapes. These are not rows in the usual farming sense, but fences; for grapes are rarely planted solid throughout a field as they are in the rest of Portugal. In some of the area the grapes are planted against granite fences, so that their roots can make use of the soil underneath. On the hillsides these granite-and-grape fences become supporting walls for terraces. On high hills they stop about halfway up; but even above the halfway mark the land is put to use, in small grains, pasture, or pine trees.

The grapevines are trained to grow up trees or on tall arbors, thus making high walls that accentuate the smallness of the fields and give a cut-up appearance to the countryside. Farmers who train vines on trees perhaps choose this device because it gives them also a little firewood; whatever the reason, in at least half of the area one sees rows of gaunt trees trimmed within an inch of their lives and twined with grapevines. Where arbors are used, farmers seem to vie with each other to build the finest. One of the most common types is made of two rows of granite poles, about 10 feet apart, with wood or iron crossbeams. The row next to the fence is low; the other is high, to make the arbor slope toward the fence and admit as much sunlight

* Based on reports received from the American Embassy in Lisbon.

Both hills and valleys in northeastern Portugal are intensively farmed. The terraces are made of granite, in which the area abounds, or of earth.

Corncribs built of granite are a landmark of northeastern Portugal. The spaces between the stone "boards" facilitate ventilation, and the round flat stones that overhang the posts make the cribs ratproof.

as possible to the crops growing underneath. Often, on arbors along a roadside the iron crossbeams extend over the road for several feet, curving upward like the roof on a Chinese pagoda.

Corn and beans are the chief crops, leading all others five to one. They are planted together, in the same drill, but the corn is dropped at closer intervals and, as it grows, is thinned out. Corn is not fed to livestock in great quantities. Most of it is ground and, with about a 25-percent admixture of rye, goes into cornbread, the most popular bread of the area.

Rye is another major crop. Since it grows during the rainy winter season, farmers tend to plant it on high ground, saving the lower land, which has more moisture, for the corn. Even so, much rye is grown in the valleys. Some corn, perhaps 10 percent of it, is planted after rye.

Pastures are important, and grasses are planted after both rye and corn in many places. The top halves of hills that are planted to rye and other small grains are thus planted perhaps one year out of four, and for the rest of the time are left fallow for pasture. Some hilltops are sown to grass after the rye; but even unseeded they provide fairly good pasture. There are also some permanent pastures; some of these are irrigated and in the winter are frequently covered with a film of moving water to prevent freezing.

Soils too poor or hills too steep to produce anything else are given over to pine trees, which are tapped for resin.

To supplement his field crops, each farmer keeps a cow or two, a few pigs, and some chickens. Near his house he grows a small vegetable garden and some fruit trees. After his corn is picked, in August, he plants a little patch of turnips.

Nothing is wasted: cornstalks pulled up in the thinning process are fed to cattle; winter rains are caught and saved for the summer in open shallow wells; every possible bit of organic matter is gathered for the compost heap; all available grass is cut and carried to the cattle; and along the coast seaweed and small crabs are gathered for fertilizer. The local granite is used for building material everywhere, even in the unique corncribs, which are so ingeniously constructed that they not only provide well-ventilated storage but keep the grain safe from rats.

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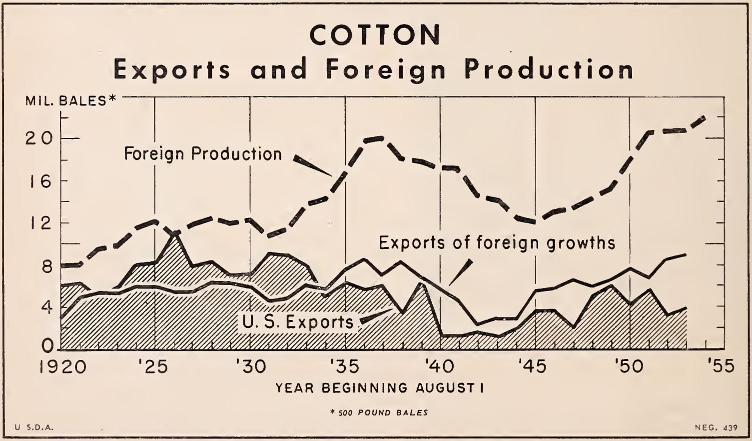

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